

## Part II Project Justification and Local Financial Commitment Criteria

After first meeting the planning, environmental, and project management requirements which demonstrate satisfactory completion of alternatives analysis and preliminary engineering (as outlined in Part I of this guidance), candidate projects seeking to advance through project development are subject to FTA evaluation against the New Starts project justification and local financial commitment criteria. Projects may enter into the next stage of development only if rated *Recommended* or *Highly Recommended*, based on these criteria. Projects rated *Not Recommended* will not be approved to advance.

The following sections detail the New Starts project justification and local financial commitment criteria defined by TEA-21, and the measures FTA uses to reflect these criteria. Of particular note is an introduction to FTA's transportation system user benefit measure used in the calculation of travel time savings and project cost effectiveness. Specific instructions for calculating and reporting the measures described below is included in FTA's *Reporting Instructions for Section 5309 New Starts Criteria* (June 2002).

Part II of this guidance concludes with a brief summary of FTA's process for evaluating the New Starts justification and financial criteria and measures; a more detailed description of FTA's rating procedures is provided in Appendix B *New Starts Evaluation and Rating Process*.

### II.I Project Justification

TEA-21 reaffirms FTA's long-standing New Starts project justification criteria. FTA uses a candidate project's justification criteria to measure its estimated impacts in terms of mobility improvements, environmental benefits, operating efficiencies, and cost-effectiveness. In addition, the degree of transit supportive land use and planned development patterns at both the corridor and regional level is reviewed and evaluated. Finally, FTA may consider other factors that may not be adequately addressed by the other New Starts criteria. Table III below provides a summary of the New Starts project justification criteria and the measures FTA uses to evaluate the merits of candidate New Starts projects.

**Table III**

**Project Justification Criteria and Measures**

Project Justification Criteria	Measures
Mobility Improvements	<ul style="list-style-type: none"><li>• Transportation System User Benefits</li><li>• Number of Low-Income Households</li><li>• Employment Near Stations</li></ul>
Environmental Benefits	<ul style="list-style-type: none"><li>• Change in Regional Pollutant Emissions</li></ul>

	<ul style="list-style-type: none"> <li>• Change in Regional Energy Consumption</li> <li>• EPA Air Quality Designation</li> </ul>
Operating Efficiencies	<ul style="list-style-type: none"> <li>• Operating Cost per Passenger Mile</li> </ul>
Cost Effectiveness	<ul style="list-style-type: none"> <li>• Hours of Transportation System User Benefits divided by Incremental Cost</li> </ul>
Existing Land Use, Transit Supportive Land Use Policies, and Future Patterns	<ul style="list-style-type: none"> <li>• See factors described in Figure II (Section II.I.II)</li> </ul>
Other Factors	<ul style="list-style-type: none"> <li>• At discretion of project sponsor (see Section II.I.III)</li> </ul>

### II.I.I Quantitative Criteria

The four statutory project justification criteria defined by 49 USC 5309(e)(1)(A) – mobility improvements, environmental benefits, operating efficiencies, and cost effectiveness – are also referred to as the "quantitative" New Starts criteria. That's because the measures used to reflect these criteria are quantitative products of the project planning and development process. Each of the measures is calculated with the basic outputs of the travel demand forecasting and cost estimation process – patronage, modal travel times, vehicle and passenger miles traveled, and capital and O&M costs. Most of the measures are intended to capture the incremental difference in estimated benefits between the New Starts and baseline alternatives in the forecast year (typically 20-25 years in the future).

Of particular note among the quantitative criteria is FTA's new measure for cost effectiveness. *Transportation system user benefits* represent the incremental estimated mobility impacts, in terms of weighted travel time, of the proposed New Starts project (as compared to the New Starts Baseline Alternative). User benefits are calculated with the special Summit software described in Section I.I.I. The user benefit calculation expressed in time equivalent units (hours) will serve as the denominator of the cost-effectiveness measure. The numerator is annualized capital and operating costs, resulting in a cost effectiveness measure of the form of total project cost per hour of transportation system user benefits.

Guidance on the calculation and reporting of the measures used to reflect the project justification criteria is included in FTA's *Reporting Instructions for Section 5309 New Starts Criteria*. Additional guidance on the transportation system user benefit measure, as well as documentation on the Summit software used to develop the measure (and associated reports intended to support a range of local planning analysis and forecast diagnosis activities) is currently being developed by the FTA Office of Planning.

## II.I.II Transit Supportive Land Use

Candidate New Starts project sponsors submit to FTA at the time of the PE or final design request information that describes the potential for existing and future local and regional land use to support the proposed capital transit investment. FTA staff, with assistance from designated contractors, reviews specifically requested information, supporting documentation, and quantitative land use data prepared by local agencies to assess the **existing land use, transit supportive land use plans and policies, and performance and impacts of policies** associated with proposed New Starts projects. Figure III on the following page presents the categories and factors FTA uses to evaluate supporting land use for New Starts projects.

### [Figure III Land Use Rating Categories and Factors](#)

In general, local agencies are not expected to generate additional analyses, documents, or quantitative data addressing land use issues in order to satisfy the reporting requirement for the *existing land use, transit supportive land use plans and policies, and performance and impacts of policies* criterion. In most instances, agencies will be able to rely on readily available materials that have been prepared in conjunction with the alternatives analysis or preliminary engineering effort, or other local studies and analyses (local and regional land use plans, local government land use actions, livable communities initiatives, economic development activities, etc.).

To assist the development of accurate project ratings, FTA requests agencies to submit full or relevant portions, as appropriate, of corridor and station area maps, local comprehensive plans and zoning ordinances, local and regional policies and agreements regarding land use planning, documentation of station area planning efforts, and documentation of other tools, incentives, and programs affecting corridor and station area land use. Additional descriptions of the information requested for the *existing land use, transit supportive land use plans and policies, and performance and impacts of policies* criterion are provided in FTA's *Reporting Instructions for Section 5309 New Starts Criteria*.

## II.I.III Other Factors

FTA will review and consider any other factors that the New Starts project sponsor believes is appropriate to the decision to approve entrance into the next stage of project development. These "Other Factors" normally include project benefits not captured by the project justification criteria. This measure provides local agencies with an opportunity to add or emphasize additional factors consistent with local policies and actions relevant to the success of the New Starts transit investment. These factors are not formally rated, and their impact on a project's overall project justification rating shall be considered on a case-by-case basis.

Other factors may include:

- Environmental justice considerations and equity issues;
- Opportunities for increased access to employment for low income persons, and welfare to work initiatives;
- Livable communities initiatives;
- Integration of the New Start investment planning with local economic development initiatives;
- Consideration of alternative land use development scenarios in local evaluation and decision making for the locally preferred transit investment decision; and
- Consideration of innovative financing, procurement, and construction techniques, including design-build turnkey applications.

## ***II.II Local Financial Commitment***

A candidate New Start project's local financial commitment is measured by the proposed non-New Starts share of total project costs, the stability of the capital financing plan for the entire transit system (with a focus on the proposed project), and the stability of the transit system's operating finance plan.

Project sponsors requesting entrance into preliminary engineering and final design must submit documentation addressing the local financial commitment criteria to FTA for evaluation. This documentation is typically satisfied by a comprehensive systemwide financial plan, as described in sections I.I.V (for projects resulting from alternatives analysis) and I.III.III (for projects completing preliminary engineering) of this guidance. More detailed guidance on the development and content of acceptable financial plans is provided in FTA's *Guidance for Transit Financial Plans and Procedures and Technical Methods for Transit Project Planning*. Specific reporting templates and suggested supporting documentation is provided in FTA's *Reporting Instructions for Section 5309 New Starts Criteria*.

FTA notes that increasing demands on limited New Starts resources has brought unprecedented scrutiny to its evaluation of project financial plans, and the proposed share of New Starts funding for major transit capital investments. FTA strongly encourages local project sponsors to pursue a broad range of revenue sources and financing strategies which lessen their burden on the New Starts program, and which, at the same time, makes them more competitive for scarce Section 5309 funding.

## ***II.III New Starts Evaluation and Rating Process***

FTA evaluates proposed New Starts projects against the full range of criteria for both project justification and local financial commitment, using a multiple measure method illustrated by Figure IV on the following page.

### **Figure IV FTA New Starts Rating Process**

FTA analyzes the information submitted by project sponsors and assigns a rating of *high*, *medium-high*, *medium*, *low-medium*, or *low* to each of the individual project justification criteria and to the measures for local financial commitment. These criteria/measure-specific ratings are then combined into summary project justification and finance ratings. No specific weights are assigned to the criteria when combining them into summary ratings, which follow the same rating spectrum (*high* through *low*) as the individual criteria and measures. For determining a project's summary project justification rating, FTA primarily considers transit supportive land use and cost effectiveness. If these primary criteria provide no clear rating, then other project justification criteria are considered. FTA attempts to reflect the unique characteristics and objectives of each New Starts project in consideration of the project justification criteria and other factors.

For the summary finance rating, FTA considers the project's ratings for the capital and operating plans, as well as the non-Section 5309 New Starts share of project costs. The capital financial rating and operating financial rating are based upon the status of the funding proposed in the project's financial plans, the completeness of the financial plan, and the financial capacity of the project sponsor to undertake the major capital investment. FTA designates the funds proposed in each financial plan as existing, committed, budgeted, or planned for the proposed major capital investment and ongoing operations and maintenance costs of the system. Ratings for the non-New Starts share of a project's financial plan reflect FTA's desire to leverage program funding

across as many meritorious projects as possible; consequently, the lower the New Starts share of costs, the higher the rating for this measure.

Summary project justification ratings and finance ratings are used to determine overall project ratings according to the following decision rule:

- **Highly Recommended:** Projects must be rated at least *medium-high* for both finance and project justification;
- **Recommended:** Projects must be rated at least *medium* for both finance and project justification; and
- **Not Recommended:** Projects not rated at least *medium* in both finance and project justification will be rated as not recommended.

Projects must be rated *Highly Recommended* or *Recommended* to be approved to advance into preliminary engineering or final design, or to be considered for a Full Funding Grant Agreement.

It is very important to emphasize that project evaluation is an on-going process. FTA evaluation and rating occurs annually in support of budget recommendations presented in the *Annual Report on New Starts* as well as when projects request FTA approval to enter preliminary engineering or final design. Consequently, as proposed New Starts projects proceed through the project development process, information concerning costs, benefits, and impacts is refined and the ratings updated to reflect new information.